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WESTERN EUROPE DIVISION  
OFFICE OF REPORTS AND ESTIMATES  
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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Included in this issue is a special article on:

French Overemphasis on Production

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WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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AUSTRIA

A The Austrian Government is likely to exert greater efforts to avoid antagonizing the USSR in any way, and to avoid taking any step which might weaken the quadripartite Allied control mechanism. The Government will exercise this unusual caution because responsible Austrians are now more apprehensive over the stalemate in the four-power treaty negotiations than during any previous deadlock. The general public reaction in Austria is largely one of pessimism and continued resentment at Austria's role as a pawn in the East-West struggle. But Austrian officials apparently fear that the present Soviet procrastination, and the very limited ability of the western powers to push the treaty to conclusion, could foreshadow a more aggressive Soviet policy in the Eastern Zone. These officials undoubtedly realize that an indefinite continuation of the stalemate might lead the USSR to take steps in eastern Austria which would ultimately result in partition of the country. The Austrians, therefore, will continue to urge the four occupying powers to conclude a treaty, and at the same time will do what they can to forestall a tightening of Soviet control in the Eastern Zone.

FRANCE

A The French Communist Party (PCF) is now apparently willing to forego its appeal to a large part of the nation by exposing the international character of its aims. It will increasingly impress upon its responsible members the necessity of following the lines of international Communism. This marked change in PCF policy, indicated by violent Communist attacks on national policies in the National Assembly and by recent public announcements by Party militants, has been developing during the past few months. It suggests that the Party in the future will more scrupulously adhere to policies dictated by the Cominform.

There have been recent indications that the Cominform has become dissatisfied with the PCF's failure to create social unrest, and that it is apprehensive of a growth

of Titoism in France. The PCF's lessening emphasis on nationalist themes will be accompanied by increasing reliance on the Party's "hard-core" Stalinists and is likely to result in a substantial drop in the large membership built up after the Liberation from the large number of patriotic Frenchmen in the underground. Strong warnings have been issued to members that any deviation from the Party line or suspected disloyalty to the Kremlin might result in expulsion from the Party.

The recent public statements and behavior of PCF leaders, moreover, will tend to result both in some disintegration of Communist front organizations and in increasing solidarity of the non-Communist population against the PCF and in the face of the Soviet threat to France.

A Soviet and Chinese Communist recognition of the dissident Ho Chi Minh movement will probably increase anti-Communist sentiment in France and has emphasized the precariousness of France's position in Indochina. There has been strong official and popular French reaction to the Soviet move. The French Government sent a stiff protest to the USSR, charging that recognition was a violation of international law and an "unfriendly" act. The French are not likely, however, to denounce the Franco-Soviet friendship pact of 1945, although they might close their consulates in China as a protest to the Chinese Communist action. French recognition of the Chinese Peoples Republic will be deferred indefinitely.

The issues between the French Communist Party (PCF) and all anti-Communist Frenchmen will now be more clearly defined. The PCF is being forced to abandon its cloak of nationalism and reveal itself as the undeviating instrument of Soviet policy. The furtherance of the "peace campaign" for the end of the war in Indochina, as well as against MDAP assistance, now appears to be virtual treason. This polarization of French popular opinion will draw more forthright support of the Government's Indochina policies from quarters hitherto critical of various aspects of the 8 March Agreements.

France, however, will be incapable of containing the Communist-dominated "resistance" forces without outside assistance, should the Chinese Communists make available considerable support in the way of military technicians and equipment. The level of the military effort being maintained in Indochina at the present is close to the maximum of French capabilities.

FRANCE

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Marked continuing progress in the vital coal industry in both France and the Saar will increasingly favor the French balance of payments position. In an economy which is revealing a leveling-off of over-all industrial output, this expansion of coal production not only will assist the French to dispense almost entirely with dollar coal imports, but may permit France in the coming months to become a net exporter of coal.

Production in the coal industry in 1949 increased more than 17 percent over 1948, from 57 million metric tons for France and the Saar in 1948 to approximately 67 million in 1949. The output per man-shift (productivity) in France and the Saar for the second week of January 1950 established a postwar record, although, at least for France itself, productivity stood slightly below the average for 1938. This achievement was essential to overcome the drop in the number of French miners below the postwar peak. France's coal output in the second week of January rose to a level nearly 25 percent above the 1938 weekly average.

In a recent seven-week period, coal imports from the US -- a luxury for dollar-hungry France -- averaged only about 7,000 metric tons per week, compared to the weekly average of 173,000 tons in 1948. This sharp improvement represented by this reduction contributed to a fall in over-all imports of coal from an average of 371,000 tons a week in 1948 to an average of 218,000 tons a week in the recent period. Concurrent with the reduction in coal imports has been the rise in coal exports, a large part of which are accounted for by the Saar's trade with Germany.

The stronger position of the French coal industry is also exemplified by the recent profits of the nationalized coal mines, which, after showing a loss for 1948 of more than 5 billion francs, realized in 1949 estimated earnings of about 12 billion francs.

FRENCH AND SPANISH NORTH AND WEST AFRICA

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The declining fortunes of the Committee for the Liberation of North Africa, formed more than two years ago in Cairo under the leadership of Abd-el-Krim, have obliged that aging Riff chieftain to redouble his efforts to revive anti-French activity and win independence for the Moslem peoples of North Africa.

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When the Committee was founded, its aim was to work outside French North Africa for the complete independence of the Maghreb (the Arab name for Tunisia, Algeria, and Morocco), refusing to negotiate with either France or Spain until independence was won. Peaceful means would be employed, but if the Arabs were driven to use force, the responsibility would lie with the French and Spanish. Despairing of concrete assistance from the Arab League, some Committee delegates returned from the headquarters in Cairo to their native lands. The disintegration of the Committee was further accelerated by the loss of three principal members in a recent airplane accident.

In what may be his final endeavor, Abd-el-Krim has made two attempts to promote the Committee's cause by focusing world opinion on North African nationalist aspirations. During a debate in the Trusteeship Committee of the UN General Assembly, an Egyptian suggestion that an official investigation be made of conditions in Morocco and Tunisia was instigated by Abd-el-Krim. Later, he launched a vitriolic verbal attack against the French during an address at the American University in Cairo. The French, thoroughly perturbed, link this latest outburst with US policy toward North Africa, which they consider unrealistic. Abd-el-Krim's belligerency also has coincided with the anti-colonial tenor of the UNGA, which has caused considerable uneasiness in Paris and Algeria among top-level French officials, and is reflected in inspired articles in the French press.

The threatening attitude assumed by the Moroccan leader parallels closely the Soviet propaganda line directed at the loosening of western European control over colonial areas.

## NETHERLANDS

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The appointment of Dutch Foreign Minister Stikker as "political conciliator" of the OEEC probably assures the continued participation of his party (Freedom and Democracy) in the Dutch Government. There has been recurrent speculation that the party for Freedom and Democracy, representing largely commercial interests, and the other minor Rightist party in the Government (the Christian Historical Union) would withdraw. They were originally included in the Cabinet in 1948 to assure the necessary parliamentary two-thirds majority for the constitutional changes involved in granting Indonesian sovereignty, and with this task completed, were no longer really needed in the Government to support Catholic-Labor policies. The dissatisfaction of conservatives in the Freedom and Democracy Party with Stikker's progressive views foreshadowed his possible replacement even if the party remained in the Government, but the prestige for the Netherlands

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and the Party in Stikker's OEEC appointment, and British insistence on a Government representative in the past, probably precludes any important changes in the Government for the next few months at least. A minor skirmish may develop over the choice of a political appointee to a new post, the Secretary of State for the Ministry of Foreign Affairs, to be established to provide guidance for foreign policy during Stikker's anticipated frequent absences from the country in the fulfillment of his new duties.

ITALY

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The internal vulnerability of the new Italian Government militates against great achievement and suggests that the Cabinet's life may be a short one. The absence of the (conservative) Liberals and the retention of Christian Democratic Agriculture Minister Segni, a strong sponsor of land reform, point to a concerted effort for agrarian legislation. In most other important respects, however, the sixth De Gasperi Cabinet will be prey to disruptive forces.

The average caliber of the new Ministers is perceptibly below that of the previous Cabinet. This is particularly true in the case of two of the three representatives of the Italian Socialist Workers' Party (PSLI) and of several Christian Democratic incumbents who hold important economic posts. In addition, the basic views of the PSLI and Republican Ministers on labor matters, particularly regarding the right to strike, are at variance with those of the Christian Democrats, despite the compromise that presumably preceded the formation of the new Government. The assignment of the Labor Ministry to the former Undersecretary of Interior Scelba's Ministry, which is popularly associated only with police functions, and the imminence of restrictive labor legislation, may arouse strong misgivings among the Socialist-Republican representatives.

Another disruptive force is the continuing pressure of the British Labor Party in favor of the reunification of Italian Socialist groups, even at the cost of the PSLI's departure from the Government. A British Labor Party victory, especially an impressive one, might precipitate such an eventuality. In this event, the Republicans would almost certainly follow suit.

Most important of all is the fact that the exclusion from further Cabinet participation of the increasingly influential Christian Democratic left wing under the militant reformist Dossetti leaves a gap between the Christian Democratic majority and the Republican-Socialist minority in the Government. This gap will tend to widen as divergent opinions of these two groups regarding socio-economic reform come more and more into conflict.



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## VATICAN

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The failure of the left-wing Christian Democrats to gain representation in the new Italian Cabinet is cause for concern among certain Vatican leaders. The left wing, militantly Catholic, is led by Giuseppe Dossetti, and holds about one-third of the party strength, but was unsuccessful in obtaining the several (economic) ministries it demanded in the new Cabinet. Dossetti's strategy is now to wait, criticize the anticipated inadequacies of the new Government, and be ready to assume a larger role in his party when the present leadership has discredited itself by failing to push through necessary legislation. Some Vatican leaders would welcome a Government led by Dossetti's group because it could be counted upon to understand and promote the goals of Catholicism, at the same time favoring a socio-economic program more dynamic than that of the present Government.

Other elements in the Vatican, on the contrary, are alarmed at the possibility that Dossetti may come to power. They are fearful that a group such as his might seek to promote radical social reforms. They realize that the nucleus of a similar dynamic left-wing Catholic movement already exists within one wing of Catholic Action, and could have a strong appeal for Italian youth. A Government led by such militant Catholics would, these Vatican leaders fear, draw even more widespread accusations of clericalism than does the present Christian Democratic Government. Further than this, both reformists and conservatives in the Vatican may view Dossetti's group with alarm on the grounds that its zeal for a definite political philosophy would not always harmonize with the flexible course pursued by the Holy See.

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SPECIAL ARTICLE

FRENCH OVEREMPHASIS ON PRODUCTION

A

French preoccupation with maintaining the present high level of production in order to avoid unemployment conflicts increasingly with the ECA objective of European economic integration. The emphasis in France has continued to be on immediate quantitative results, partly to overcome at any cost the persisting postwar inflation. The French now fear the dislocations involved in the greater specialization that would be forced upon them by unrestrained foreign competition. By greater specialization, French industry would concentrate on those products which it could make best and most cheaply. In the long run, however, the increased productivity that would result from specialization would improve France's competitive position in world markets.

The French are wary of the effects of a sweeping removal of trade barriers, particularly when they contemplate two conditions:

(1) In the postwar expansion of production, the French emphasis on speed rather than efficiency has resulted in costs unfavorable to successful competition, at least for the next two years, especially in new industries like tractor-manufacturing; and (2) there is an intensified search for markets by foreign manufacturers; for example, those of Belgium, Luxembourg, and west Germany. Hence, Government and industrial leaders are convinced that full exposure to world competition would lead to a lowering of production and consequently to serious unemployment. These consequences would be greatly aggravated by the present and prospective lack of adequate housing, which sharply limits the mobility of labor.

The leveling-off of overall industrial production in the last quarter of 1949 will probably intensify the determination of business, labor, and Government leaders to forestall a possible production decline by avoiding even temporary dislocations of the present production pattern. The general index of industrial production held steady in that quarter at about 21% above 1938 and 12% above 1948. Although France had then nearly reached the goal for the current fiscal year, the industrial production index was well below the post-war high attained in May 1949. While steel production in 1949 jumped 26% over 1948, such other major industries as chemicals and glass suffered sharp declines.